Real Estate RESEARCH
CONSULTANTS

MEMORANDUM

TO: Sam Powers, Economic Development Director
City of Asheville, North Carolina

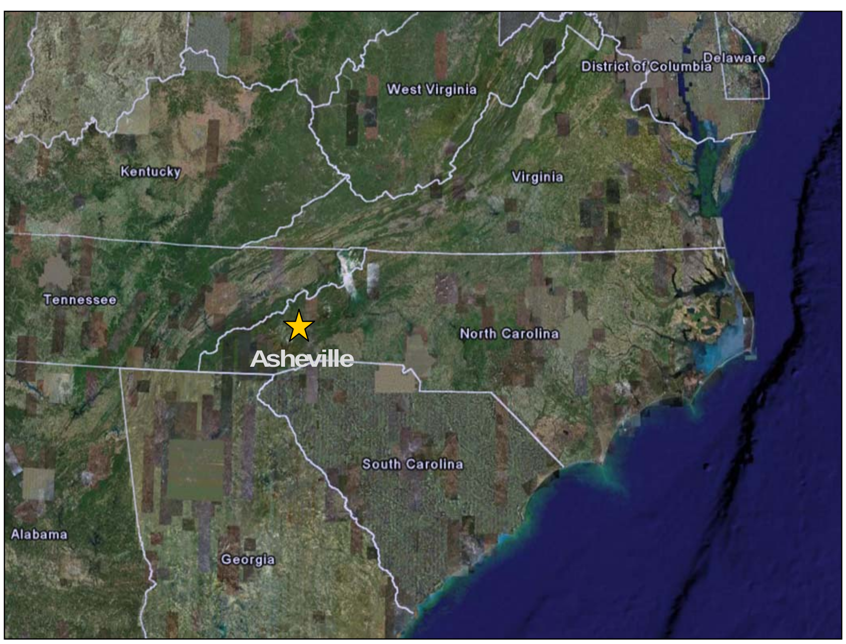
FROM: Matt Taylor, AICP and William Owen, CRE
Real Estate Research Consultants, Inc.

DATE: April 9, 2007

RE: **ASHEVILLE MARKET OVERVIEW AND RECOMMENDED REAL ESTATE STRATEGY FOR SELECTED REDEVELOPMENT SITES**

The following market overview prepared by Real Estate Research Consultants, Inc. (RERC) focuses on a planning horizon of 2012 and reflects market research, stakeholder interviews and field work conducted during March 2007 for the City of Asheville and Buncombe County market area. The purpose of this market overview is to provide market context for seven subject properties identified by the City of Asheville for potential redevelopment opportunities within the central business district of the City.

RERC's research focused on residential and commercial development including multifamily residential product, retail, office and hotel uses. While a detailed market analysis was not performed for each of the sites, RERC's work was intended to generally test the market support for redevelopment concepts based on prevailing market conditions. The purpose of this analysis was to provide an overview of the identified market sufficient to distinguish land uses and development program implications for the subject sites and to support the development of a real estate asset management strategy that makes economic sense, reflecting the prevailing market environment and general economic conditions.



BOTTOM LINE OF ANALYSIS

Based on current and expected market conditions, the seven sites evaluated are anticipated to require between 1.5 to 3 years or as much as 8 to 10 years to plan, design, market, develop and stabilize depending on the specific attributes and supported market uses for each of the respective sites. The following chart presents RERC's overall recommendations for each of the sites. Also included is a suggested prioritization of each redevelopment opportunity to optimally manage the City's real estate portfolio through strategic asset disposition and corollary economic development.

Potential Redevelopment Site	Priority	Supported Market Uses	Development Timeframe
Haywood Street Properties at Civic Center	1	Upscale Hotel, Retail/limited Office, Structured Parking	2 – 4 years
Eagle-Market Street Property	1	Office <u>or</u> Multifamily Residential	1.5 – 3 years
Office of Economic Development	1	Office <u>or</u> Multifamily Residential; ground floor commercial	1.5 – 3 years
Park Maintenance Property	2	Multifamily Residential, limited commercial	1.5 – 3 years
Transit Operations Center	3	Multifamily Residential	3 – 5 years
Parkside Property	3	Office; Upscale Hotel <u>or</u> Residential Condo; Supporting Commercial, Structured Parking	5 – 7 years
S. Charlotte Street Properties	3	Corporate Headquarters with complementing uses <u>or</u> Multifamily Residential and Commercial	8 – 10 years

Each of the redevelopment sites is presented with additional detail on market supported development programs and recommended strategies for asset management at the end of this document.

ASHEVILLE METROPOLITAN STATISTICAL AREA CHARACTERISTICS

The Asheville Metropolitan Statistical Area (MSA) provides valuable statistical tools to evaluate trends and growth patterns in the region. Four counties are included in the Asheville MSA: Buncombe, Haywood, Henderson and Madison. According to the 2000 US Census, the MSA's population totaled approximately 369,000. Buncombe County's population accounted for approximately 206,000 people or 56% of the MSA's total population. The City of Asheville is located within Buncombe County and, in 2000, accounted for approximately 69,000 people or 33% of Buncombe County's total population. The following chart presents the actual and projected population figures provided by the North Carolina State Demographer for the four counties, MSA and city in 2000, 2006 and 2011.

Population growth rates throughout the MSA are estimated to remain stable, but moderate. RERC used the North Carolina State Demographics data set as a source of current and projected demographic data for the analysis. Based on historical growth rates, the state demographer estimates the MSA population will grow at an approximate annual growth rate of 1.1% between 2006 and 2011. The state demographer estimated Buncombe County's annual population growth rate at approximately 1.2%, while the City of Asheville's annual population growth rate was estimated at 1% between 2006 and 2011. Although minuscule, the difference in the two growth rates could be attributed to the amount of available land within the city versus the county, thus influencing the location of the growth. Much of Asheville has been built out, while large and undeveloped tracts of land remain in the unincorporated county.

POPULATION 2000, 2006 & 2011 BY CITY, COUNTY & ASHEVILLE MSA			
	2000	**2006**	**2011**
City of Asheville	68,889	73,555	77,232
Percent of Buncombe Cty	33.3%	33.5%	33.2%
Buncombe County	206,766	219,082	232,355
Percent of MSA	55.8%	55.3%	55.1%
Haywood County	54,175	57,005	59,594
Percent of MSA	14.6%	14.4%	14.1%
Henderson County	89,595	99,544	108,468
Percent of MSA	24.2%	25.1%	25.7%
Madison County	19,684	20,466	21,378
Percent of MSA	5.3%	5.2%	5.1%
Asheville MSA	**370,220**	**396,097**	**421,795**

Source: RERC, North Carolina State Demographics

The following table summarizes the number of employees, establishments and population in the four counties and the Asheville MSA in 2004, the last year for which the US Census released County Business Patterns data. The table presents the percentage of employees compared to the specific areas of population, as well as the number of people per establishment. Buncombe County's employment is equal to almost 50% of the population in the county, indicating that the county is the employment center for the region.

SUMMARY OF 2004 COUNTY & MSA EMPLOYMENT, ESTABLISHMENTS & POPULATION					
	Asheville MSA	**Buncombe Cty**	**Haywood Cty**	**Henderson Cty**	**Madison Cty**
Employees	150,875	100,592	15,526	32,801	1,956
Employee % of Pop	38%	47%	28%	34%	10%
Establishments	11,345	7,058	2,511	1,453	323
People per Establishment	35	30	22	67	63
Population	400,521	215,162	56,394	97,792	20,205

Source: RERC, 2004 County Business Patterns: US Census Bureau, 2004 North Carolina State Demographics.

The following table presents the four counties capture rate of total employment and establishments in the Asheville MSA. The employees and establishments located in Buncombe County represent approximately 65% of the MSA's totals.

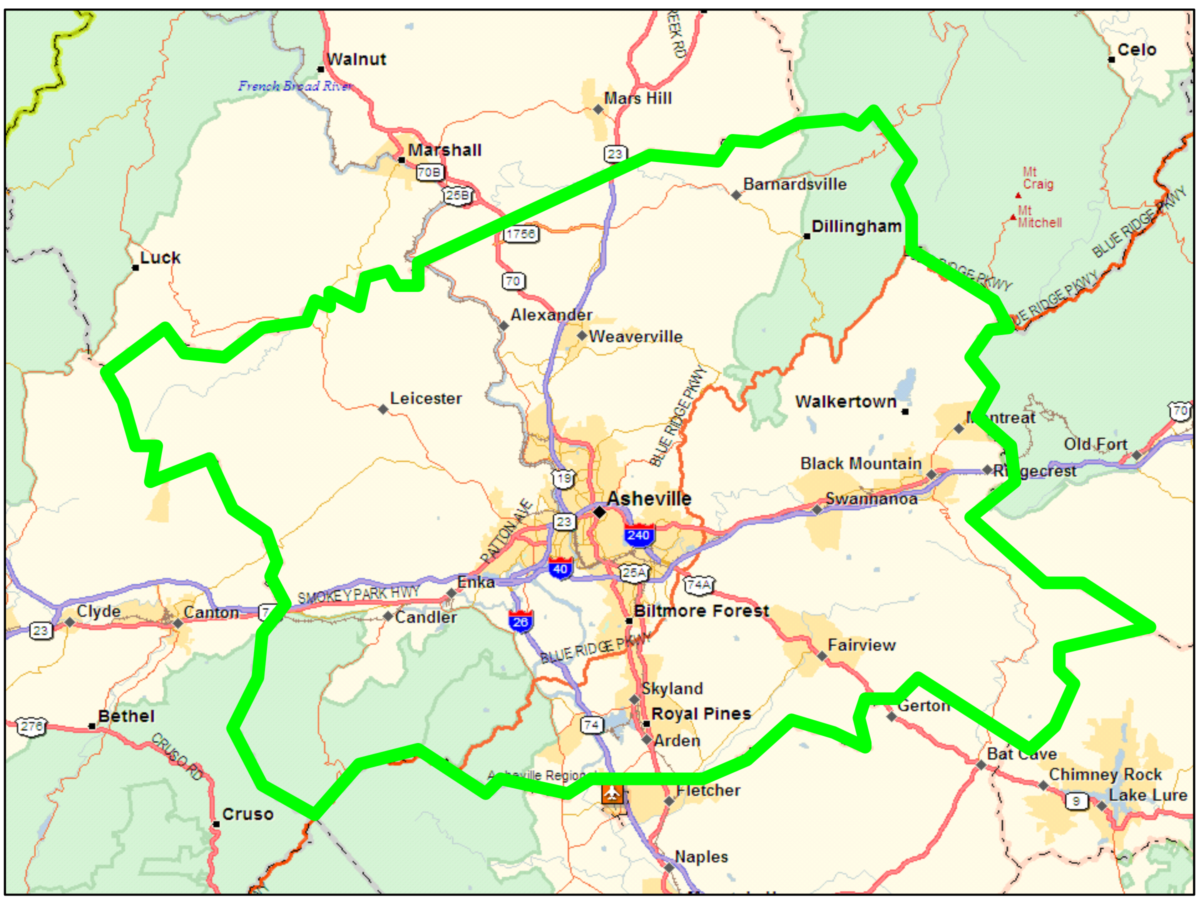
2004 COUNTY CAPTURE OF MSA TOTAL EMPLOYMENT & ESTABLISHMENTS				
	Employment		Establishments	
	Total	% of MSA	Total	% of MSA
Buncombe Cty	100,592	66.7%	7,058	62.2%
Haywood Cty	15,526	10.3%	2,511	22.1%
Henderson Cty	32,801	21.7%	1,453	12.8%
Madison Cty	1,956	1.3%	323	2.8%
Asheville MSA	150,875	100.0%	11,345	100.0%

Source: RERC, 2004 County Business Patterns: US Census Bureau, 2004 North Carolina State Demographics.

EXISTING MARKET CONDITIONS

For this overview, the market area for the subject properties was defined by the boundaries of the City of Asheville and Buncombe County. Data presented in this summary reflect county- and city-level data for residential, retail, office and hotel market sectors. The data was evaluated and generally confirmed through field work in the defined market area. The following graphic presents the areas evaluated in the analysis. The green line represents Buncombe County's boundary.

CITY OF ASHEVILLE & BUNCOMBE COUNTY



Source: RERC

Population, household and average household income data for the City, County, and MSA was obtained from Census data, the Claritas database and the North Carolina State Demographer. The following table presents the U.S. Census data for 2000, Claritas projections for 2006 and 2011 households and average household income, and North Carolina State Demographics projections for 2006 and 2011 population. The projected growth rates for population and households for Buncombe County during the 2000 to 2011 period remain stable between 1% and 1.5%.

POPULATION, HOUSING UNITS AND HOUSEHOLDS 2000-2011			
	City of Asheville	**Buncombe County**	**Asheville MSA**
2000 Population	68,889	206,766	370,220
2006 Population	73,555	219,082	396,097
2011 Population	77,232	232,355	421,795
2000 Households	29,780	85,865	154,302
2006 Households	31,082	92,531	166,932
2011 Households	32,337	98,250	177,611
2000 Avg HH Income	$47,558	$47,972	$47,047
2006 Avg HH Income	$53,727	$54,628	$53,825
2011 Avg HH Income	$58,555	$59,611	$58,912

Source: North Carolina State Demographics Population Estimates, Claritas Household and Average Household Income Data

While the County is projected to experience a moderate growth rate through 2011 and beyond, the greatest increase in population and households in the near-term is expected to occur within unincorporated areas of the County to the south and west, and to a lesser degree north of the City. Within the City, the same is generally true with some in-fill development occurring closer to the City's core area and downtown.

The following table highlights the number of establishments and employees in key industries in Buncombe County. The industries each account for over 70% of the total establishments and employees in the Asheville MSA. The majority of the industries with a presence in Buncombe County not listed below still account for between 50% and 70% of the total MSA. The professional, scientific and technical services have the greatest number of establishments and employees in Buncombe County.

BUNCOMBE COUNTY 2004 KEY INDUSTRTIES					
NAICS	**Industry Description**	**2004**		**% of MSA**	
		Est	**Emp**	**% Est**	**% Emp**
21	Mining	328	3,333	98.5%	100.0%
48-49	Transportation and warehousing	136	2,191	56.9%	70.0%
51	Information	117	1,676	73.1%	73.0%
53	Real estate & rental & leasing	313	1,222	65.8%	72.8%
54	Professional, scientific, & technical services	680	4,542	68.8%	78.1%
55	Management of Companies and Enterprises	27	1,552	73.0%	82.6%
56	Administrative & support & waste	315	5,763	61.8%	80.8%
61	Educational services	81	2,372	71.7%	86.8%

Source: County Business Patterns: US Census Bureau

Residential Development

Buncombe County currently has approximately 75,900 residential parcels according to the Buncombe County Property Appraiser's records. The residential parcels include approximately 61,000 single family homes, 10,000 mobile homes and 4,900 condominiums in the County. In the City of Asheville at total of approximately 23,800 residential parcels exist according to the Buncombe County Property Appraiser. Approximately 20,500 single family homes, 230 mobile homes, and 3,100 condominiums exist within the City of Asheville. Approximately 31% of the residential parcels located in Buncombe County are also located within the City of Asheville.

RERC evaluated the number of residential building permits issued to evaluate historical trends and to project potential future residential growth in the area. It should be noted the building permit figures presented here vary from the multifamily permit numbers from the Asheville Building Safety Department because the numbers presented here depict the number of units versus the number of buildings for which the permits were issued. Thus, the figures account for all multifamily units within a newly developed building rather than the number of individual buildings.

With the exception of a mild decline in the number of total residential building permits in 2003, the number of residential building permits issued in Buncombe County has remained stable and increasing. From 2000 to 2005, a total of approximately 12,000 residential building permits were issued. Single-family building permits totaled approximately 8,400 over the six-year period approximately 70% of the total residential building permits issued in the County. Multi-family permits totaled approximately 3,500 over the six-year period or approximately 30% of the total residential building permits issued in the County. The number of residential building permits issued in Buncombe County in 2005 increased 23% over the number of permits issued in 2004. The table below presents the single family, multi-family and total number of residential building permits issued in Buncombe County from 2000 through 2005.

The residential building permits issued in the City of Asheville fluctuated from year to year between 2000 and 2005. The number of permits issued during the five-year period totaled 2,700 with single family building permits accounting for approximately 55% of the total and multi-family building permits accounting for 45% of the total. In 2005, the City of Asheville issued 693 residential building permits representing the most building permits issued in a given year. The table below presents the single family, multi-family and total number of residential building permits issued in the City of Asheville between 2000 and 2005.

Between 2000 and 2005, the City of Asheville captured 22.7% of the total residential building permits issued in Buncombe County. With an exception of 2001, the City of Asheville annually captured between 23% and 28% of the residential building permits issued in Buncombe County between 2000 and 2005. The following table presents the City of Asheville's capture rate of the residential building permits issued in Buncombe County.

BUNCOMBE COUNTY & CITY OF ASHEVILLE BUILDING PERMITS (UNITS) 2000 - 2005							
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
City of Asheville							
Single Family	163	199	208	230	367	321	1488
Multi-family	218	70	297	169	112	372	1238
Total	**381**	**269**	**505**	**399**	**479**	**693**	**2,726**
Buncombe County							
Single Family	991	1,142	1,330	1,394	1,681	1,902	8,440
Multi-family	336	1,009	828	343	392	647	3,555
Total	**1,327**	**2,151**	**2,158**	**1,737**	**2,073**	**2,549**	**11,995**
Capture Rate - City of Asheville v. Buncombe County							
% Capture	**28.7%**	**12.5%**	**23.4%**	**23.0%**	**23.1%**	**27.2%**	**22.7%**

Source: RERC, US Census Bureau, HUD's State of the Cities Data System (SOCDS) Building Permits Database
Note: City of Asheville multifamily permits vary from Asheville Building Safety Department numbers because numbers presented here include unit counts versus number of buildings. Small variances in single-family permits reflect variability in year-end reporting.

For-Sale Residential Product

Single Family

RERC profiled for-sale residential products in Buncombe County by sales price and date from 2002 to 2006 using the Buncombe County Property Appraiser's data. The county began accumulating sales data in 2002, which is reflected in the quantity of sales prior to 2002. The units sold reflect the frequency of sales and not the total inventory because the data accounts for multiple sales of individual properties. The following table presents the frequency of sales in the county by date sold.

BUNCOMBE COUNTY SINGLE FAMILY RESIDENTIAL UNIT SALES BY SALES PRICE AND YEAR SOLD							
Price	**Pre - 2002**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
$0 - $50,000	19	431	466	439	192	112	**1,659**
$50,000 - $100,000	35	715	585	556	285	249	**2,425**
$100,000 - $150,000	14	991	996	1,112	966	690	**4,769**
$150,000 - $200,000	6	651	762	971	1,080	962	**4,432**
$200,000 - $250,000	5	293	392	446	597	636	**2,369**
$250,000 - $300,000	1	190	228	295	425	389	**1,528**
$300,000 - $350,000	0	94	136	178	281	275	**964**
$350,000 - $400,000	1	61	84	128	182	198	**654**
$400,000 - $500,000	0	63	90	148	252	213	**766**
$500,000 - $600,000	0	28	35	53	87	106	**309**
$600,000 - $700,000	0	15	19	26	34	61	**155**
$700,000 - $800,000	0	10	10	17	31	34	**102**
$800,000 - $900,000	1	5	4	12	16	22	**60**
$900,000 - $1,000,000	0	1	4	6	10	11	**32**
$1,000,000+	1	7	10	18	34	47	**117**
Total	**83**	**3,555**	**3,821**	**4,405**	**4,472**	**4,005**	**20,341**

Source: RERC, Buncombe County Property Appraiser

To date, approximately 85% of the total single family sales in Buncombe County reflect units sold for less than $250,000. The sales prices reflect what is generally a middle to moderate income workforce housing market. Even though the majority of the sales occurred in the lower price ranges, the quantity of single family units sold in the higher price ranges has steadily increased. For example, in the $1,000,000 plus range only 7 units sold in 2002 while 47 units sold in 2006. During the past two years of reported single family sales just over half of all sales were in a price range below $200,000, generally considered appropriate for the basic workforce market. At the same time 10% to 12% of sales were in ranges above $400,000, which would include most "luxury" and second-home market categories. Housing delivered to the ownership market in the downtown area would be expected to be in the higher price ranges above $400,000.

Multi-family

The for-sale multi-family residential product totals approximately 4,600 units in Buncombe County. Approximately 79% of the total inventory was built prior to 2000 while 21% of the total inventory was built after 2000. The following table outlines the number of multi-family units in Buncombe County by year built.

BUNCOMBE COUNTY MULTI-FAMILY FOR-SALE RESIDENTIAL BY YEAR BUILT					
	Pre- 1980	**1980-1990**	**1990-2000**	**2000-2006**	**TOTAL**
# UNITS	827	1,864	944	989	4,624
% of Total	17.9%	40.3%	20.4%	21.4%	

Source: RERC, Buncombe County Property Appraiser

Since 2002, approximately 3,500 multi-family sales have occurred in Buncombe County. Of the total sales, approximately 2,500 of these transactions are qualified sales. The sales price for qualified multi-family units ranges from $20,000 to $1,000,000; however, approximately 75% of the qualified sales were less than $200,000. The following chart summarizes selected sales in various multi-family communities during 2005. <u>Historically, the multi-family for-sale market since 2000 has averaged about 165 units sold per year with "workforce" price ranges accounting for 120 units sold per year and higher-priced product averaging about 40 to 50 units sold per year.</u>

SELECT MULTI-FAMILY PROPERTIES

Property/Community	**Year Built**	**Typical SF**	**Select 2005 Pricing**
Grove at Appledoorn	2005	1,016	$73,000-$125,000
Timber Condos	1984-1987	1,701-3,000	$117,000-$155,000
View Pointe Condos	1997-1999	1,919-1,356	$243,000-$268,000
The Cloister Condos	1989	1,169-1,372	$98,000-$188,000
The Colony Condos	1973	960-1,140	$53,000-$89,000

Source: RERC and Buncombe County Property Appraiser

<u>For-Rent Product</u>

The for-rent product in the Asheville area appears to cluster in the northeast and the southwest sectors of the City of Asheville. The apartments in both areas range in monthly rents from approximately $450 to over $1,200 and in size from approximately 650 square feet to over 1,400 square feet. Most of the apartment complexes offer a 1-, 2- and 3-bedroom floor plan.

The amenities at each complex vary, but generally consist of a pool and fitness center. RERC evaluated for-rent product in the Asheville area and the following selected complexes represent a range of the for-rent product in the area. The available sizes and rental rates follow:

Woodland Hills: Located on Barnwood Drive off of Weaverville Highway, Woodland Hills offers residents numerous floor plans with a private patio or balcony in a gated community. The features and amenities in the complex include a swimming pool and clubhouse, a playground, optional garages with remote access, a washer and dryer in the unit, a 24-hour fitness center and a business center. The lease terms can range from 8-12 months with an administrative fee or deposit of $200.

Floor Plan	Size (SF)	Rent
1B/1BA	683	$780
2B/2BA	966	$850
2B/2BA	983	$870
3B/2BA	1,228	$1,105

Eastwood Village: Located on Olde Eastwood Village Boulevard, Eastwood Village offers 1-, 2- and 3-bedroom floor plans. Each unit includes an oversized garden tubs, 9-foot ceilings with crown molding, dishwasher, refrigerator and patio or balcony. Select units include a fireplace. Garages are available for rent in addition to the unit. The community amenities feature a pool, clubhouse, Jacuzzi and fitness center.

Floor Plan	Size (SF)	Rent
1B/1BA	708	$750-$775
2B/2BA	964	$850-$875
3B/3BA	n/a	n/a

River Ridge: Located on River Ridge Road, River Ridge apartments offer a variety of 1-, 2-, and 3-bedroom apartments ranging in rent from $720 to over $1,200. The community amenities include a tennis court, basketball court, sand volleyball, shuffleboard and playground. Units include wood burning fireplaces, energy efficient heat pumps, and breakfast nooks.

Floor Plan	Size (SF)	Rent
1B/1BA	776-810	$720-$740
2B/1BA	1,003	$845
2B/1.5BA	1,036	$860
2B/2BA	1,166	$910
3B/2BA	1,280-1,433	$1,010-$1,265

Westmont Commons: Located on Chamberlain Drive, Westmont Commons offers spacious 1-, 2- and 3-bedroom apartments. The community amenities include a pool, fitness center, clubhouse, and business center.

Floor Plan	Size (SF)	Rent
1B/1BA	838	$655
2B/2BA	1,067-1,109	$755
3B/2BA	1,295	$900

Cranbrook at Biltmore Park: Located in Arden, North Carolina within a master-planned community called Biltmore Park, Cranbook offers residence the benefits of an apartment complex and the benefits of a community. In the community, the residences can access quant shops, eateries and the YMCA in the Town Square. In the apartment complex, residence benefit from the twenty-four hour access to the business, fitness, and laundry centers in the clubhouse; the swimming pool, sun deck and hot tub; the Biltmore Park walking trails; the car care center; the pet park; the two mountain bikes available for use; and the garages and storage unit available for rent. The units feature flexible floor plans, nine foot high ceilings, numerous windows, a dinning area, a gas range, optional fireplace or media center, and patio or deck. The complex was built in 2003.

Floor Plan	Size (SF)	Rent
1B/1BA	745-987	$748-$1,116
1B/1BA +Den	950-1,176	$867-$949
2B/2BA	957-1,101	$748-$968
3B/2BA	1,244-1,538	$1,135-$1,470
3B/2.5BA	1,557	$1,557

The Forest at Biltmore Park: Located in Arden, North Carolina within the master-planned community of Biltmore Park, The Forest apartment complex includes amenities such as two swimming pools, luxury fitness center with a personal trainer, 6-mile walking trails, lighted tennis court and an outdoor activity center for children. The units include washer/dryer connections, large closets, gas heat, and outdoor patio.

Floor Plan	Size (SF)	Rent
1B/1BA	767-945	$710-$860
1B/1BA +Loft	1,026-1,046	$830-$895
2B/2BA	1,026-1,046	$830-$895
3B/2BA	1,196-1,216	$955-$1,020

Future Residential Demand

Based on historical trends, RERC projected future residential demands for both Buncombe County and the City of Asheville. Given the total building permits and population in Buncombe County from 2000 to 2005, we calculated the number of residential building permits issued per 1,000 people. The residential building permits per 1,000 people in Buncombe County ranged from 6.4 to 11.8 while average annual residential building permits per 1,000 people equaled 9.4. The following table presents Buncombe County's building permits, population and permits per 1,000 people between 2000 and 2005.

BUNCOMBE COUNTY RESIDENTIAL BUILDING PERMITS (UNITS) PER 1,000 PEOPLE						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Building Permits	1,327	2,151	2,158	1,737	2,073	2549
Population	206,766	208,268	210,050	212,405	215,162	216,738
Permits/ 1,000 People	6.4	10.3	10.3	8.2	9.6	11.8

Source: RERC, North Carolina State Demographics, HUD SOCDS Building Permits Database
Note: The variance in total annual building permits listed above versus the City of Asheville's Building Safety Department's total annual building permit figures is attributed to the number of buildings compared to the number of units for which the permits were issued.

Based on the above historical data and the North Carolina State Demographer population projections for 2011, RERC projected future residential building permits for Buncombe County. Based on the historical data, RERC used 10 building permits per 1,000 people as the base figure to project the residential building permits for Buncombe County in 2011. The North Carolina State Demographer projected the population in Buncombe County to grow to approximately 232,000 in 2011. Therefore, we estimate Buncombe County could issue approximately 2,320 permits in the years leading up to and including 2011. Historically, the mix of multi- to single-family building permits in Buncombe averaged a one-third to two-thirds split. The historical trends divide the estimated future residential building permits issued in Buncombe County into approximately 1,547 single family building permits and 773 multi-family building permits.

From 2002 through 2005, the City of Asheville captured between 23% and 28% of the residential building permits issued in Buncombe County. On average during this period, the City of Asheville captured 24% of the residential building permits issued in Buncombe County. Based on this assumption, it is reasonable to assume the City of Asheville will capture approximately 24% of the residential building permits issued in Buncombe County in the years leading up to and including 2011. Thus, by 2011 the City of Asheville could capture approximately 557 residential building permits annually. Historically, the residential building permits in the City of Asheville on average split evenly between single family and multi-family. It is therefore reasonable to assume in the years leading up to and including 2011 the City of Asheville will issue between 250 to 300 building permits for both multi-family and single family. The incremental demand between 2006 and 2011 for multi-family and single family could each total approximately 1,668 units. The following table presents the projected residential building permits for the City of Asheville as well as Buncombe County.

2007-2011 PROJECTED RESIDENTIAL ANNUAL BUILDING PERMITS	
	# Permits
Buncombe County	***2,320/yr***
Single Family	*1,547*
Multi-Family	*773*
City of Asheville	***557/yr***
Single Family	*278*
Multi-Family	*278*

Source: RERC, North Carolina State Demographics, US Census Bureau, SOCDS Building Permits Database

RETAIL DEVELOPMENT

In Buncombe County approximately 12,000,000 square feet of retail space exists according to the most recent tax roll data. The majority of the space, around nine million square feet, was developed prior to 2000. From 2000 through 2005, the county absorbed three million square feet of inventory at an annual rate of approximately 500,000 per year. The following chart presents the retail inventory for Buncombe County by year built and size.

BUNCOMBE COUNTY RETAIL SPACE BY YEAR BUILT AND TOTAL SQUARE FEET								
				Year				
Square Feet	**Pre-2000**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
0-25,000	3,340,784	36,376	51,466	57,126	156,177	241,205	114,563	4,005,257
25,000-50,000	1,060,010				62,422	94,305	30,920	1,247,657
50,000-100,000	1,956,170	66,986		54,142	60,730	226,460		2,364,488
100,000+	2,705,293	739,889			267,093	343,778	304,296	4,360,349
Total	9,062,257	843,251	51,466	111,268	546,422	905,748	449,779	11,977,751

Source: RERC, Buncombe County Property Appraiser

The City of Asheville accounts for approximately 70% of the square footage in Buncombe County. According to the most recent tax roll data, the City of Asheville's retail inventory totals approximately 8,000,000 square feet. Approximately 6,400,000 square feet or 80% of the total inventory was developed prior to 2000. From 2000 to 2005, the City of Asheville's average annual absorption was approximately 300,000 square feet of retail space. The following table presents the retail inventory in the City of Asheville by year built and size.

CITY OF ASHEVILLE RETAIL SPACE BY YEAR BUILT AND TOTAL SQUARE FEET								
					Year			
Square Feet	**Pre-2000**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
0-25,000	2,366,007	13,493	22,572	17,716	95,641	145,641	42,269	2,703,339
25,000-50,000	613,913				29,182	56,886		699,981
50,000-100,000	1,115,139			54,142		158,725		1,328,006
100,000+	2,328,667	631,889			267,093	220,416		3,448,065
Total	6,423,726	645,382	22,572	71,858	391,916	581,668	42,269	8,179,391

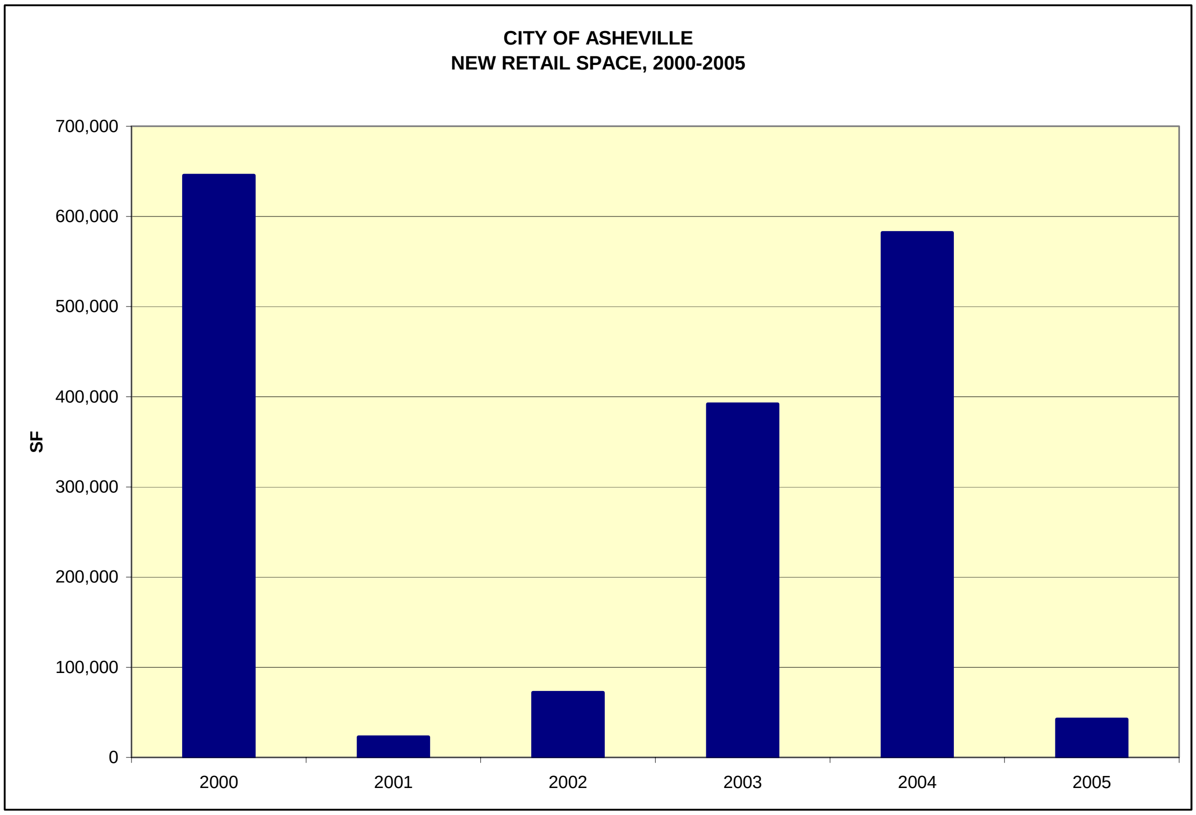
Source: RERC, Buncombe County Property Appraiser

Currently, the City of Asheville represents 68% percent of the retail inventory in Buncombe County. The City on average accounted for 66% of the new development occurring annually between 2000 and 2005 in the Buncombe County. The relationship between the city and the county's development of retail space will be utilized later to project the demand for new retail space within the City of Asheville. The following chart presents the City of Asheville's capture rate of Buncombe County's total retail space by year built.

CITY OF ASHEVILLE'S CAPTURE RATE OF RETAIL SPACE IN BUNCOMBE COUNTY									
	Pre-2000	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006***	**TOTAL**
City of Asheville	6,423,726	645,382	22,572	71,858	39,1916	581,668	42,269	0	8,179,391
Buncombe County	9,062,257	843,251	51,466	111,268	546,422	905,748	449,779	7,560	11,977,751
Percent	70.9%	76.5%	43.9%	64.6%	71.7%	64.2%	9.4%	0.0%	68.3%

Source: RERC, Buncombe County Property Appraiser **Incomplete year 2006 data available at time of analysis*

It is worth noting the developments influencing the retail inventory developed between 2000 and 2005 in the City of Asheville. The fluctuating development pattern of the City can be attributed to new big box retailers in the area. The following chart illustrates the retail inventory added in the City of Asheville between 2000 and 2005. The chart clearly depicts the development of large retail centers, over 100,000 square feet, in 2000 and 2004. In 2000, the Asheville Mall added an additional 400,000 square feet of space which accounts for 65% of the space developed during the year. In 2004, Wal-Mart developed a 200,000 square foot Supercenter. The growth in 2003 is attributed to the addition of a 125,000 square foot Target and a 142,000 square foot Kmart.



Source: RERC, Buncombe County Property Appraiser

<u>Profile of Selected Retailers</u>

- The Asheville Mall totals approximately 824,000 square feet with four anchor tenants including Belk, Dillards, JCPenney and Sears. Originally built in 1971, the Mall has experience numerous additions in 1973, 1974, 1989, 1994 and 2000. The most significant addition occurred in 2000 when the Asheville Mall added 400,000 square feet. The four anchor tenants currently occupy approximately 418,000 square feet or approximately 51% of the total leasable area. The Asheville Mall occupies approximately 66 acres resulting in an FAR of .29.

- Built in 1989, the Biltmore Square Mall occupies approximately 603,000 square feet. The Mall is located on 60 acres resulting in an FAR of .23. The Mall's anchor tenants include Dillard's and Belk.

- Riverbend Business Park, built in 2004, includes approximately 370,000 square feet of retail space. A Wal-Mart Supercenter occupies approximately 220,000 square feet of the space. A Kohl's and a PetSmart also occupy space in the park.

- Located in the Central Business District, the Grove Arcade was originally built in 1925, opened in 1929 and closed in 1942. In the 1970's plans were drawn to renovate and restore the building to its original use. Through community support and collaboration, the Arcade was restored and reopened in 2002. The Arcade's approximately 269,000 square feet are now occupied by specialty stores, arts and crafts stores, fresh food stores and restaurants.

Future Retail Demand

Based on historical growth trends in Buncombe County, RERC can project future demands for new retail space. RERC calculated the annual ratio of new retail square footage to total population in Buncombe County between 2000 and 2005. The following table presents the historical growth rate in Buncombe County from 2000 to 2005. During 2000 and 2004, approximately 4 square feet of retail space was built per person representing the highest ratio of the five-year period. Between 2000 and 2005, the average annual rate equaled approximately 2.7.

BUNCOMBE COUNTY RETAIL SPACE PER PERSON						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Retail Space	843,251	51,466	111,268	546,422	905,748	449,779
Population	206,766	208,268	210,050	212,405	215,162	216,738
SF per Person	4.1	0.2	0.5	2.6	4.2	2.1

Source: RERC, North Carolina State Demographics, Buncombe County Property Appraiser

Between 2000 and 2006, the supply of retail space grew from a ratio of 44 square feet per capita to 54 square feet per capita in Buncombe County. Based on the square feet per capita, RERC evaluated the amount of retail space given the projected population. Due to the recent addition of several big box retailers and a 400,000 square foot addition to the Asheville Mall, we believe the per capita rate could potentially be inflated. Therefore, based on a conservative per capita estimate, the supply of retail space in Buncombe County could increase by 1,100,000 to 1,700,000 square feet between 2006 and 2011. The incremental supply of retail reflects a ratio of 85 to 125 square feet per capita. The following table presents the results.

2006-2011 PROJECTED NEW RETAIL DEMAND	
	Buncombe County
Change in Population	13,300
SF per Capita	85-125
Projected SF	1,100,000-1,700,000

Source: RERC, North Carolina State Demographics, Buncombe County Property Appraiser

As discussed previously, the City of Asheville historically captures approximately 65% of the annual retail growth in Buncombe County. However due to the recent addition of several big box retailers, land constraints, and residential development patterns, it is logical to assume that over time the City of Asheville's capture rate of annual retail growth will decrease while unincorporated Buncombe County's capture rate of retail growth will increase. Based on this assumption, it is logical to assume the City of Asheville will capture approximately 50% of the new square footage projected for Buncombe County through 2011. Thus, the City of Asheville could potentially capture between 550,000 square feet to 850,000 square feet of the projected new retail space. The following table presents the results.

2006-2011 PROJECTED NEW RETAIL DEMAND	
	City of Asheville
Change in Population	3,700
Projected SF	550,000-850,000

Source: RERC, North Carolina State Demographics, Buncombe County Property Appraiser

OFFICE DEVELOPMENT

In Buncombe County approximately 4,600,000 square feet of office space currently exists according to the most recent tax roll data. Approximately 80% of the current inventory was developed prior to 2000. From 2000 through 2005, the county annually developed, on average, approximately 150,000 square feet of office space. <u>The office space developed between 2000 and 2005 primarily consisted of buildings with a total square footage of less than 25,000 square feet.</u> The following chart presents the office space located in Buncombe County by year built and building size.

BUNCOMBE COUNTY OFFICE SPACE BY YEAR BUILT AND TOTAL SQUARE FEET								
				Year				
Square Feet	**Pre-2000**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
0-25,000	2,438,911	123,593	122,542	108,632	155,168	175,418	113,300	3,237,564
25,000-50,000	471,373			46,260	27,840		27,076	572,549
50,000-100,000	427,326							427,326
100,000+	383,324							383,324
Total	3,720,934	123,593	122,542	154,892	183,008	175,418	140,376	4,620,763

Source: RERC, Buncombe County Property Appraiser

According to the most recent tax roll data, the City of Asheville's office space currently totals approximately 2,600,000 square feet. Approximately 82% of the current inventory was built prior to 2000, while only 17% of the current inventory was built since 1999. From 2000 through 2005, approximately 441,000 square feet of office space was built in the City. The office space developed since 2000 occupies buildings with a total square footage of less than 25,000 square feet. The following chart presents the office space located in the City of Asheville by year built and building size.

CITY OF ASHEVILLE OFFICE SPACE BY YEAR BUILT AND TOTAL SQUARE FEET								
				Year				
Square Feet	**Pre-2000**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
0-25,000	1,838,067	66,097	88,012	67,521	103,290	91,436	16,841	2,271,264
25,000-50,000	72,605							72,605
50,000-100,000	244,425							244,425
100,000+	0							0
Total	2,155,097	66,097	88,012	67,521	103,290	91,436	16,841	2,588,294

Source: RERC, Buncombe County Property Appraiser

Currently, the City of Asheville represents approximately 56% percent of the office inventory in Buncombe County. The City of Asheville's annually capture rate between 2000 and 2005 of Buncombe County's total new office space averaged approximately 58%. The relationship between the city and the county's development of office space will be used later to project the demand for new office space in the future within the City of Asheville. The following table presents the City of Asheville's capture rate of Buncombe County's total office space by year built.

CITY OF ASHEVILLE'S CAPTURE RATE OF OFFICE SPACE IN BUNCOMBE COUNTY									
	Pre-2000	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**TOTAL**
City of Asheville	2,155,097	66,097	88,012	67,521	103,290	91,436	16,841	8,255	2,596,549
Buncombe County	3,720,934	123,593	122,542	154,892	183,008	175,418	140,376	8,255	4,629,018
Percent	57.9%	53.5%	71.8%	43.6%	56.4%	52.1%	12.0%	100.0%	56.1%

Source: RERC, Buncombe County Property Appraiser

Future Office Demand

Based on historical growth trends in Buncombe County, RERC can project future demands for new office space. RERC calculated the annual ratio of new office square footage to total population in Buncombe County between 2000 and 2005. The following table presents the historical growth rate of office space in Buncombe County from 2000 to 2005. In 2003 and 2004 approximately 0.9 and 0.8 square feet of office space was built per person representing the highest ratios during the five-year period. Between 2000 and 2005, the average annual rate equaled approximately 0.84.

BUNCOMBE COUNTY OFFICE SPACE PER PERSON						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Office Space (SF)	123,593	122,542	154,892	183,008	175,418	140,376
Population	206,766	208,268	210,050	212,405	215,162	216,738
SF per Person	0.6	0.6	0.7	0.9	0.8	0.6

Source: RERC, North Carolina State Demographics, Buncombe County Property Appraiser

Between 2000 and 2006, the supply of office space grew from a ratio of 18 square feet per capita to 21 square feet per capita in Buncombe County. Based on the square feet per capita, RERC estimated the incremental office space between 2006 and 2011 given the projected population. Based on a ratio of 75 to 90 square feet per capita the supply of office space in Buncombe County could increase from 1,000,000 to 1,200,000 square feet between 2006 and 2011. The following table presents the results.

2006-2011 PROJECTED NEW OFFICE DEMAND	
	Buncombe County
Change in Population	13,300
SF per Capita	75-90
Projected SF	1,000,000-1,200,000

Source: RERC, North Carolina State Demographics, Buncombe County Property Appraiser

As discussed previously, the City of Asheville historically captures approximately 58% of the annual office growth in Buncombe County. Based on this assumption, it is logical to assume the City of Asheville will potentially capture approximately 58% of the new square footage projected for Buncombe County from 2006 to 2011. Thus, the City of Asheville could potentially capture between 580,000 square feet to 700,000 square feet of the projected new office space. The following table presents these results.

2006-2011 PROJECTED NEW OFFICE DEMAND	
	City of Asheville
Change in Population	3,700
Projected SF	580,000-700,000

Source: RERC, North Carolina State Demographics, Buncombe County Property Appraiser

Downtown Asheville should continue to be a prime location for new office development, even though typical building construction occurs almost exclusively in small professional office structures. The downtown's central access and commercial infrastructure is supportive of the professional and small business tenant market. Office developed as condominiums or within adaptive reuse projects can be achieved on selected redevelopment sites or as part of in-fill mixed-use developments also including retail and residential space.

There are only a handful of geographic submarkets in Asheville and Buncombe County that could accommodate and be attractive to anything other than limited office development. These might include Biltmore Park, the Skyland area, West Asheville, and the Valley Springs area. The central business district is a viable alternative if appropriate sites and/or buildings can be made available. As much as 50% to 75% of citywide demand might be captured downtown.

Generally, office rents in the Asheville Market are low, given the product availability. In a dynamic project environment, rental rates could range from $8 to $26 triple net and from $18 to $30 full service.

LODGING DEVELOPMENT

Currently, the Asheville area hosts approximately 2 million overnight, leisure travelers each year that produce an economic impact of approximately $1 billion annually. To support this leisure travel segment, the Asheville lodging market provides approximately 6,500 rooms and has historically experienced growth in room inventory with growth occurring in stepped increases in the upscale segment and incremental increases in the mid-scale segment. Hotel inventory is currently found in moderate concentrations in the downtown Asheville CBD (within a 3-mile radius), the Biltmore Village area, and generally at interchanges along Interstates 26 and 40 as well as in the Asheville Mall vicinity.

For our analyses, hotel product in the Asheville market has been defined by actual or estimated average room rate. The five price categories include:

- Luxury – top 15% average room rates
- Upscale – next 15% average room rates
- Midscale – middle 30% average room rates
- Economy – next 20% average room rates
- Budget – lowest 20% average room rates

Luxury hotel properties generally require large land tracts to accommodate their targeted scale of development, support functions and amenities. Therefore, RERC's analysis primarily focuses on the performance and market supportability of product in the upscale segment of the market given this product type has the greatest likelihood of optimizing available development sites and corresponding residual land values in the downtown and in-town Asheville markets.

While our focus is on the upscale segment, it is important to note Asheville has two luxury properties which include the Grove Park Inn (opened in 1913) and the Inn on Biltmore Estate (opened in 2001). These properties have approximately 725 rooms combined which accounts for approximately 11% of the Asheville room inventory. Performance data were not available for these properties as they are independently owned and operated.

Upscale Hotel Product

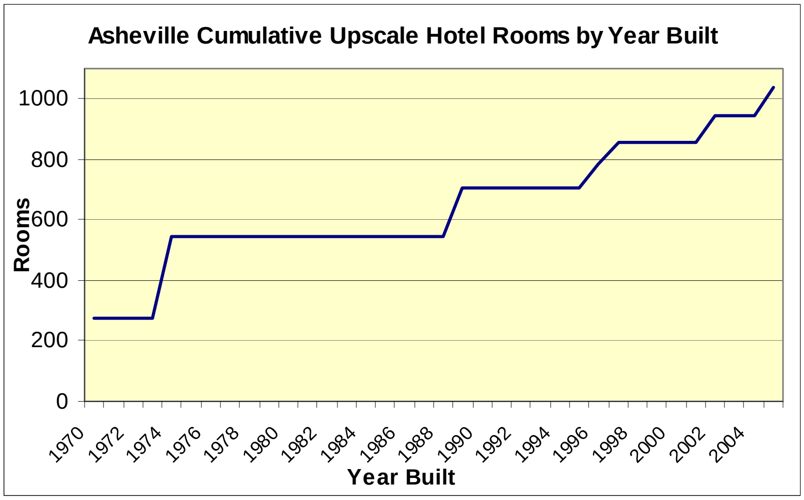
The downtown Asheville submarket includes eight upscale properties having a total of 1,072 rooms within relative proximity (less than three miles) of the CBD. Performance data were obtained for seven of the eight properties. The Haywood Park Hotel which opened in 1986 and has 33 rooms is an independent property and does not report performance data. Therefore, RERC's analysis focused on the performance of the seven properties presented in the following table.

Hotel Property	**Rooms**
Renaissance Asheville Hotel	275
Crowne Plaza Resort	272
Homewood Suites (Tunnel Road)	94
Courtyard Marriott	78
Springhill Suites	88
Residence Inn Asheville Biltmore	72
Doubletree Biltmore Hotel	160
Subtotal	***1,039***

Source: Respective Hotel Properties, RERC Research

The average number of rooms at the seven upscale properties profiled was 148. This average number of rooms is low relative to industry standards given we would typically expect upscale properties to generally be positioned as full-service properties and include approximately 250-350 rooms.

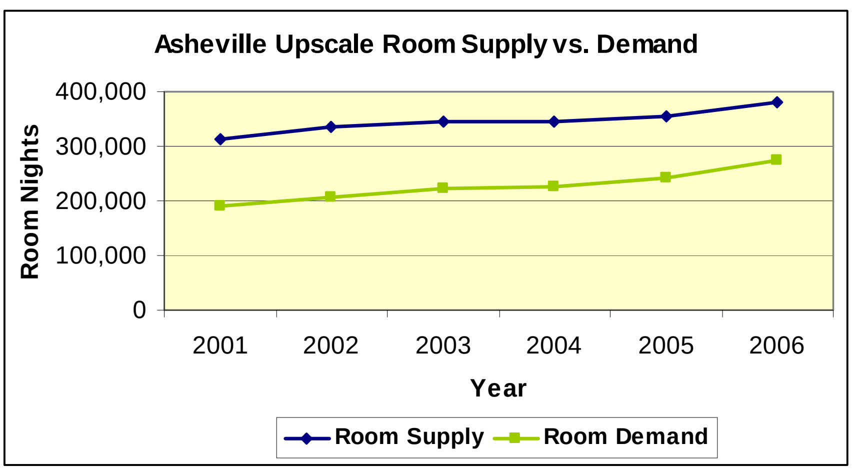
The following presents the trend in room inventory additions in the Asheville upscale hotel market from 1970 to 2005.



Source: RERC Research

Additions to room supply have been stepped with larger scale properties added to the inventory in the 1970's and smaller format business class hotels added more frequently in the 1990's to present. Combined with the low average number of rooms per property, the trend presented in the preceding chart indicates more cautious, although more frequent, increases in room inventory. This may suggest <u>the market has absorbed added inventory in this hotel segment more slowly in the past and hotel developers have minimized exposure in the current market environment by developing smaller format business and boutique properties</u>.

While room additions have been historically cautious, an analysis of upscale room night supply versus room night demand indicates the margin between supply and demand is narrowing, suggesting the upscale hotel market in Asheville is tightening. The following chart presents room night supply and demand for 2001 through 2006.



Source: RERC Research

The following table presents actual increases in room night supply versus increases in room night demand. Growth in room night demand has outpaced the growth in room night supply (room additions) in each of the last five years.

Asheville Upscale Hotel Rooms *Changes in Room Night Supply vs. Demand*		
Year	**Supply % Change**	**Demand % Change**
2001	--	--
2002	6.9%	8.3%
2003	3.2%	7.6%
2004	0.0%	0.8%
2005	2.5%	7.8%
2006	7.3%	12.9%

Source: RERC Research

In addition to the current upscale inventory, The Kessler Hotel Collection is currently developing an upscale hotel at the Biltmore Village called the Mansion Hotel which will have approximately 150 rooms.

Amenities and services generally common to the seven existing properties profiled include but are not limited to:

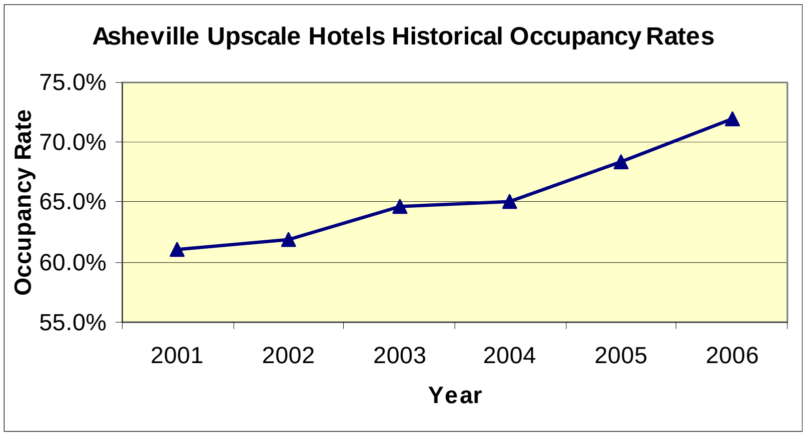
> Property Amenities: onsite upscale restaurants, fitness/spa facilities, swimming pools, convention and or meeting spaces, concierge services, valet parking, 24 hour room service and business centers.
>
> Room Amenities: luxurious bedding and furnishings, high speed internet service, room service, cable and large screen television.

The following highlights performance characteristics of these properties:

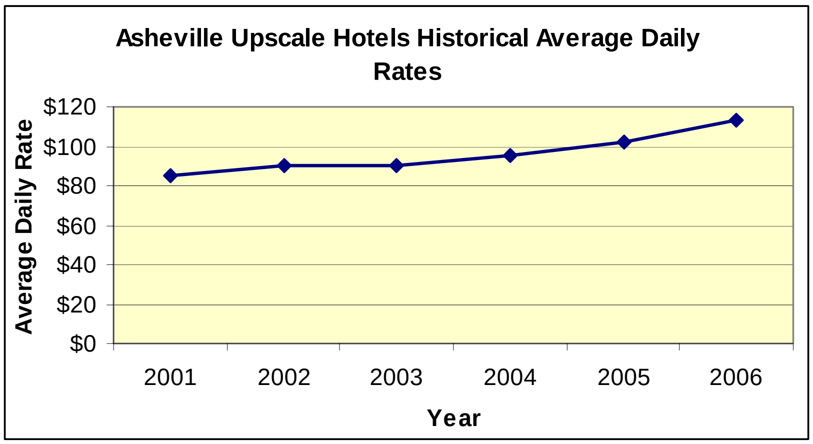
- Between 2001 and 2006, occupancy rates at these upscale properties have been increasing from approximately 61% in 2001 to 72% at year end 2006.

- Average Daily Rates (ADRs) for the upscale properties reached $113 at year end 2006, setting a new high for ADR in this segment of the market.

The following illustrate trends in occupancy, average daily rate and RevPAR for the selected upscale properties. The data reflect research conducted by Real Estate Research Consultants in consultation with published and provided data from public agencies, property owners and third parties.



Source: RERC Research



Source: RERC Research

Revenue Per Available Room (RevPAR), defined as room revenue divided by the number of rooms available, for the seven upscale properties averaged approximately $64 during 2001 to 2006. RevPAR increased in each of the last six years and is currently approximately $82. A close approximation for RevPAR can be made by multiplying occupancy by ADR.

Based on our research and hospitality market experience, we project a continuing need for additional upscale room inventory in the market on the order of approximately 25-35 new rooms per year. New upscale hotel development projects will likely be supportable every 3 to 4 years on average given historical trends. Replacement/renovation of older room inventory may support an accelerated pipeline for new upscale product.

To test the impact of adding additional upscale rooms in the market, RERC projected the potential impact of a new 150-room upscale hotel addition. We assumed room night supply would increase by 54,750 annual room nights and a moderate growth rate in room night demand of 5% annually. Based on these assumptions, RERC projected the potential impact on occupancy levels in the upscale market. It is important to note a new hotel would require approximately 18-24 months to plan and develop and therefore would not deliver room inventory to the market until 2009 at the earliest. The following table presents the results which reflect a dip in occupancy in 2009 although still at a level equivalent to the strong occupancy recorded at year end 2006. With room night demand growing moderately in 2007-2008, the net effect of a new upscale boutique hotel coming online in 2009 is projected to have a nominal impact relative to current occupancy levels.

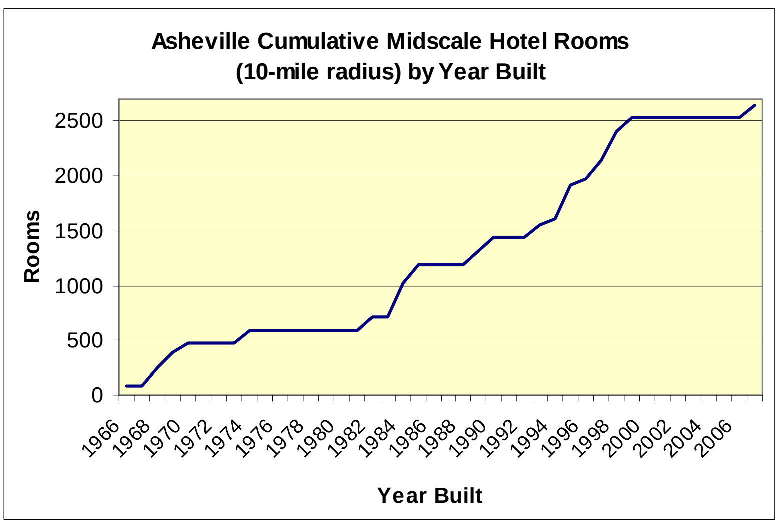
Projected Upscale Room Occupancy (with 150 new rooms delivered in 2009)	
Year	**Occupancy***
2006	**72%**
2007	76%
2008	79%
2009	**73%**
2010	**77%**
2011	**80%**

** Assumes 5% annual growth in upscale room night demand*

Source: RERC Research

Midscale Hotel Product

For the lodging market overview, limited research was focused on the midscale hotel segment to understand the existing scale and inventory in that product segment. Currently, there are approximately 2,640 rooms in the midscale hotel segment within a 10-mile radius of downtown Asheville.



Source: RERC Research

The average number of rooms at the midscale properties profiled was approximately 106 which is generally in line with the average number of rooms expected in this market segment. Additions to room inventory were generally consistent and incremental in the 1980's and 1990's; however, no room additions were made between 2000 and 2006. A new property is currently under construction (Holiday Inn & Suites Downtown Asheville) and another is in permitting (Biltmore Village Holiday Inn Express), suggesting a 2000-2006 market correction may have brought midscale hotel supply and demand in balance creating a favorable development environment.

Based on our research and hospitality market experience, we project a continuing need for additional midscale room inventory in the market on the order of approximately 50-60 new rooms per year. New midscale hotel development projects will likely be supportable every 2 to 3 years on average given historical trends. Replacement/renovation of older room inventory may support an accelerated pipeline for new midscale product.

PLANNED, PROPOSED AND UNDER CONSTRUCTION PROJECTS

Working with the City of Asheville's Office of Economic Development, RERC has reviewed the major projects currently planned, proposed or under construction in the Asheville market area. A representative list of the projects reviewed follows:

Major Planned, Proposed or Under Construction Projects, March 2007
60 N. Market Street
Capital Center Offices
Broadway Mixed Use #1
Broadway Mixed Use #2
Biltmore Village Mansion Hotel
Biltmore Village Mansion Annex
Biltmore Village HI Express
Biltmore Towne Center
Ravenscroft
Zona Lofts
The Dixon
Mountain Housing/Glen Rock
Woodfin Town Center
Ellington/Grove Park Inn
Lexington Station
S. Lexington Condos
21 Battery Park
Grove Arcade
Walnut Street/Lexington Ave Parking Mixed Use
Cliffs
Ramble
Biltmore Lake
Fairview Road/Sweeten Creek Mixed Use Biltmore Village
The River
SB Coleman Project
College Street Office Building
Hope Women's Cancer Center
Mill Creek Condo's
Shops at Lake Julian
Biltmore Gardens
Gerber Village
Pioneer Building
Double Tree Inn
Mission Hospitals
River Bend Urban Village

Bohemian Hotel
Brook Street
Vistas at Westfield
Crowell Park Apartments
Dillingham Road
Thoms Hospital

On average, the projects reviewed represent the following relevant development program ranges by use:

Multifamily Residential:	40 to 75 units
Hotel:	100 to 150 rooms
Office/Retail:	3,000 to 25,000 SF

The current development profile for the market suggests multifamily residential, hotel and office/retail uses are being absorbed in small to mid-scale projects with few exceptions. This is consistent with RERC's assessment of Asheville as a moderate but stable growth market going forward in time.

MARKET POTENTIAL AND RECOMMENDED REAL ESTATE STRATEGY FOR SELECTED DEVELOPMENT SITES

RERC has evaluated the general market supportability of seven potential redevelopment sites identified by the City of Asheville. All of the sites are generally located within the central business district of Asheville. Given the context established in the preceding market overview for the Asheville area, and discussions with various local stakeholders, RERC has evaluated potential real estate strategies for each of the sites.

We have also assigned a suggested priority level for redevelopment of each of the sites based on the respective attributes, the stage of planning for redevelopment, and our expectation for market absorption of the identified market uses at each site. A scale from 1 to 3 was used to suggest relative priority for a specific site's redevelopment.

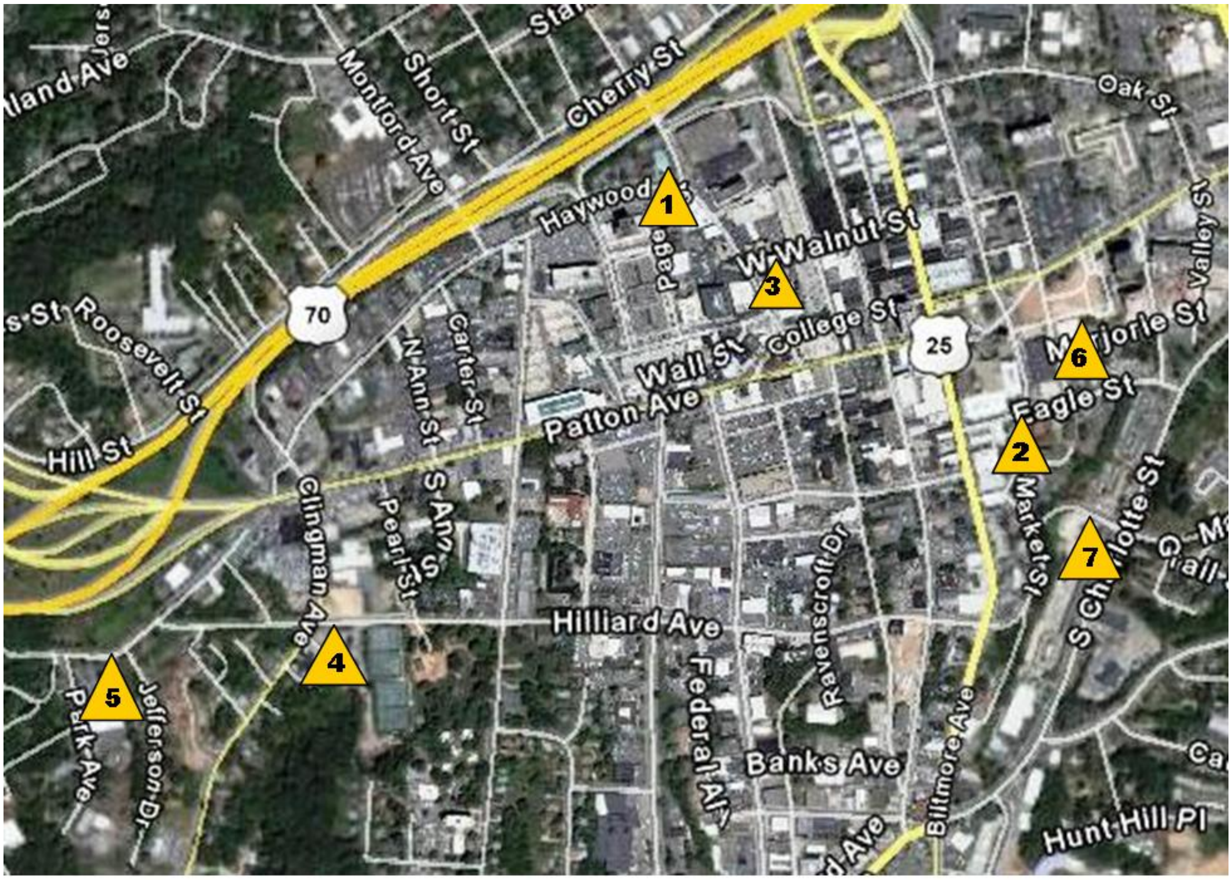
The scale is generally defined as:

1 – Near term opportunity – A site was assigned a priority of '1' if the site is generally available for redevelopment without major asset loss or relocation required and there is near term market support for the uses identified for the site.

2 – Minor remedy required – A site was assigned a priority of '2' if the site requires some level of planning and corresponding remedy to relocate existing functions in order to redevelop the property. A site with this priority has near term market support for the uses identified.

3 – Significant planning required - A site was assigned a priority of '3' if the site requires a planning process that evaluates the relocation of existing functions and assets and associated costs, solicits community and stakeholder input to develop a vision for the ultimate use of the property, and reinforces the economic development goals of the community. A site with this priority generally has mid to long term market support for the uses identified.

The following is a key map of the seven properties evaluated for potential redevelopment.



1—Haywood Street Properties at Civic Center
2—Eagle-Market Street Property
3—Office of Economic Development
4—Park Maintenance Property
5—Transit Operations Center
6—Parkside Property
7—S. Charlotte Street Properties

Source: Google Earth and RERC

The following profile sheets address both the supported market uses along with the recommended strategy we feel is appropriate for each potential redevelopment site based on our market research, field work in the Asheville market, and the development expertise of our team.

Development Site	**Haywood Street Properties at Civic Center**
Parcel(s)/Address(es)	• Handy Park – 68 Haywood Street • Flying Frog – 76 Haywood Street • 33 Page Avenue • Parking Lot – Page Avenue
Total Acreage	0.77 acres
Geographic Context	Immediately southwest of the existing Civic Center bounded by Haywood Street and Page Avenue; NW quadrant of CBD
Land Use/Zoning	Zoned CBD
Permitted Development	No density, intensity or height limits; wide range of commercial, office, residential, tourist accommodation and other uses allowed under base zoning
Supported Market Uses	**Upscale hotel (150 rooms), retail/limited office (10,000 SF), structured parking**
Development Timeframe	**2 - 4 years**
Recommended Strategy	1. Identify, package and advertise development opportunity for market 2. Pre-qualify interested developers through RFQ process. 3. Issue subsequent RFP for property sale to those development teams determined to be qualified based on responses to RFQ. 4. Select developer to purchase property. 5. Execute a development agreement with terms and conditions acceptable to the City.
Suggested Priority	**1– Near term opportunity**

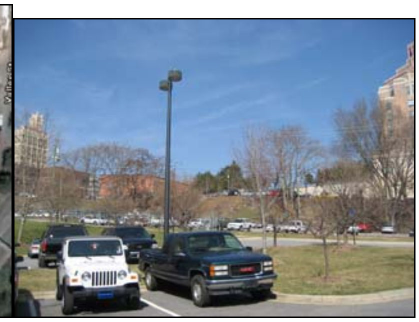
Site Name	**Eagle-Market Street Property**
Parcel(s)/Address(es)	• 25 S. Market Street • 19 Eagle Street • 46 S. Market Street • S. Market Street + 42 S. Market Street (privately owned by Ellison & McGlohon, 0.10 ac)
Total Acreage	0.31 acres (potentially 0.41 acres with private holdings)
Geographic Context	West of Parkside and S. Charlotte Street properties; SE quadrant of CBD
Land Use/Zoning	Zoned CBD
Permitted Development	No density, intensity or height limits; wide range of commercial, office, residential, tourist accommodation and other uses allowed under base zoning
Supported Market Uses	**Office condos <u>or</u> Multifamily Residential (potential for live-work units)**
Development Timeframe	**1.5 - 3 years**
Recommended Strategy	1. Address parking constraints and identify path to remedy any identified redevelopment constraints 2. Identify, package and advertise development opportunity for market 3. Pre-qualify interested developers through RFQ process. 4. Issue subsequent RFP for property sale to those development teams determined to be qualified based on responses to RFQ. 5. Select developer to purchase property. 6. Execute a development agreement with terms and conditions acceptable to the City.
Suggested Priority	**1– Near term opportunity**

Site Name	**Office of Economic Development**
Parcel(s)/Address(es)	29 (31) Haywood Street
Total Acreage	0.18 acres
Geographic Context	South and east of the Haywood Street properties at Civic Center; NW quadrant of the CBD
Land Use/Zoning	Zoned CBD
Permitted Development	No density, intensity or height limits; wide range of commercial, office, residential, tourist accommodation and other uses allowed under base zoning
Supported Market Uses	**Office condos or Multifamily Residential with ground floor commercial**
Development Timeframe	**1.5 – 3 years**
Recommended Strategy	1. Identify path to remedy redevelopment constraints (i.e. identify suitable relocation of existing OED, associated costs and funding sources) 2. Identify, package and advertise development opportunity for market 3. Pre-qualify interested developers through RFQ process. 4. Issue subsequent RFP for property sale to those development teams determined to be qualified based on responses to RFQ. 5. Select developer to purchase property. 6. Execute a development agreement with terms and conditions acceptable to the City.
Suggested Priority	**1– Near term opportunity**

Site Name	**Park Maintenance Property**
Parcel(s)/Address(es)	Hilliard Avenue & Merritt Street
Total Acreage	3.61 acres
Geographic Context	Western edge of CBD between River Arts District and downtown core
Land Use/Zoning	Zoned Community Business I District
Permitted Development	Medium-density business and service uses; Residential, Recreational, Institutional, Public/semi-public, Office/Business; maximum of 16 DUs per acre
Supported Market Uses	**Multifamily Residential (115 workforce housing units), limited commercial**
Development Timeframe	**1.5 - 3 years**
Recommended Strategy	1. Identify path to remedy redevelopment constraints (i.e. identify suitable relocation of existing park maintenance ops, associated costs and funding sources) 2. Identify, package and advertise development opportunity for market 3. Pre-qualify interested developers through RFQ process. 4. Issue subsequent RFP for property sale to those development teams determined to be qualified based on responses to RFQ. 5. Select developer to purchase property. 6. Execute a development agreement with terms and conditions acceptable to the City.
Suggested Priority	**2 – Minor remedy required**

Site Name	**Transit Operations Center**
Parcel(s)/Address(es)	360 West Haywood Street
Total Acreage	3.51 acres
Geographic Context	Western edge of CBD between River Arts District and downtown core
Land Use/Zoning	Zoned Institutional
Permitted Development	Residential, Recreational, Institutional, Public/semi-public, Office/Business; maximum of 16 DUs per acre
Supported Market Uses	**Multifamily Residential (110 market rate and workforce housing units)**
Development Timeframe	**3 - 5 years**
Recommended Strategy	1. Identify path to remedy redevelopment constraints (i.e. identify suitable relocation of existing transit ops center, associated costs and funding sources) 2. Identify, package and advertise development opportunity for market 3. Pre-qualify interested developers through RFQ process. 4. Issue subsequent RFP for property sale to those development teams determined to be qualified based on responses to RFQ. 5. Select developer to purchase property. 6. Execute a development agreement with terms and conditions acceptable to the City.
Suggested Priority	**3 – Significant planning required**

Site Name	**Parkside Property**
Parcel(s)/Address(es)	Marjorie Street, S. Spruce, Eagle Street and Valley Street
Total Acreage	2.47 acres
Geographic Context	Immediately south of City Hall; SE quadrant of CBD
Land Use/Zoning	Zoned CBD
Permitted Development	No density, intensity or height limits; wide range of commercial, office, residential, tourist accommodation and other uses allowed under base zoning
Supported Market Uses	**Office (100,000-140,000 SF), Upscale hotel (150 rooms) <u>or</u> Residential Condos (75-100 premium market units), supporting commercial, structured parking**
Development Timeframe	**5 - 7 years**
Recommended Strategy	1. Develop a vision plan for the property with community input 2. Identify path to remedy redevelopment constraints 3. Identify, package and advertise development opportunity for market 4. Pre-qualify interested developers through RFQ process. 5. Issue subsequent RFP for property sale to those development teams determined to be qualified based on responses to RFQ. 6. Select developer to purchase property. 7. Execute a development agreement with terms and conditions acceptable to the City.
Suggested Priority	**3 – Significant planning required**

Site Name	**South Charlotte Street Properties**
Parcel(s)/Address(es)	• William Wolcott Building - 161 S. Charlotte Street • Public Works Compound - 171 S. Charlotte Street • Fleet Management - 173 S. Charlotte Street • Water Maintenance – 174 S. Charlotte Street • ABC Store – 179 Biltmore Avenue
Total Acreage	13.79 acres
Geographic Context	South and west of City Hall; SE quadrant of CBD
Land Use/Zoning	Zoned CBD
Permitted Development	No density, intensity or height limits; wide range of commercial, office, residential, tourist accommodation and other uses allowed under base zoning
Supported Market Uses	**Corporate user headquarters (target industry for economic development) and complementing uses <u>or</u> Multifamily Residential (500 market and workforce housing units) and Commercial (500,000 SF)**
Development Timeframe	**8 - 10 years**
Recommended Strategy	1. Develop a vision plan for the property with community input 2. Identify path to remedy redevelopment constraints 3. Identify, package and advertise development opportunity for market 4. Pre-qualify interested developers through RFQ process. 5. Issue subsequent RFP for property sale to those development teams determined to be qualified based on responses to RFQ. 6. Select developer to purchase property. 7. Execute a development agreement with terms and conditions acceptable to the City.
Suggested Priority	**3 – Significant planning required**